

HANDBOOK OF OPERATIONS
for the
ALLOWANCE BRANCH
of the
DIVISION OF FOREIGN SERVICE PERSONNEL
DEPARTMENT OF STATE

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INTRODUCTION

This handbook on allowances, post differentials and related benefits for American civilian employees of Government agencies assigned to foreign areas, including the Foreign Service, is designed to serve as:

- A. Ready operational reference for employees of the Allowance Branch, Division of Foreign Service Personnel;
- B. Consolidated explanatory material for Foreign Service and Departmental personnel detailed to the Branch for training purposes;
- C. Basic guide for lectures on allowances and differentials in the Foreign Service Institute;
- D. Information for Foreign Service Inspectors;
- E. Information for personnel of the Regional Bureau Executive Offices.

The text of this Handbook is occasionally repetitious. This was done so that certain information will not be overlooked when specific sections of the book are used for quick reference.

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I. SUMMARY OF LEGISLATIVE BACKGROUND OF ALLOWANCES AND DIFFERENTIALS

A. General

Until recent years, the United States Government was represented in foreign countries almost exclusively by the Foreign Service of the Department of State. Consequently allowances and other benefits for civilian Government personnel abroad were provided for the Foreign Service only. Since World War I, however, other departments and agencies of the Government, because of continually increasing responsibilities in foreign areas, have stationed more and more personnel overseas.

Basic legislation for the past twenty-five years has provided additional remuneration in the form of allowances and other benefits chiefly for the Foreign Service. Although the Act of June 26, 1930 entitled all civilian officers and employees of the United States Government stationed abroad to the occupancy of Government-owned or -leased quarters, or a quarters allowance in lieu thereof, employees of other Federal agencies, seeking recompense for these and other expenses, generally depended upon annual Appropriation Acts. Their benefits sometimes took the form of a cost-of-living allowance but more often that of a 25 percent salary differential. Occasionally it was both, or an increased salary classification. As a result, Government employees of the same level at the same post often received different total compensation.

The present allowances and differential systems have as their general objective the equitable and consistent remuneration of comparably classified Government civilian personnel at all posts abroad. Allowances differ, of course, between posts, but these variations stem from differences in costs and living conditions.

B. Foreign Service: Legislative Background

1. Prior to the Foreign Service Act of 1946

Although allowances were reported as early as 1792 and from earliest days have been received by certain categories of Foreign Service personnel under various authorizations, the present-day Foreign Service allowance structure began to take concrete form in the Act of July 1, 1916.

Cost-of-living (Post) Allowance: Officers

The Act of July 1, 1916* granted an appropriation enabling the President, at his discretion, to make special allowances to diplomatic and consular officers in belligerent countries and countries contiguous thereto for the

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purpose of increasing their compensation in proportion to the higher cost-of-living resulting from World War I. These allowances were designed to cover the increased cost of food, clothing, rent and fuel. Horizontal increases in salary would not have met the situation, since local conditions varied. In view of the low salary-scales of that time, allowances were deemed necessary to hold the Foreign Service together during the latter part of World War I and the years immediately following.

In 1918 a special allowance was granted to our representatives in China because of unfavorable exchange rates and fluctuations in the value of silver. The cost-of-living (post) allowance was subsequently extended to all foreign areas with a proportionately high cost-of-living, and continued to be granted on the authority of annual Appropriation Acts until a legislative basis was provided by "Section 19" under Section 7 of the Act of February 23, 1931*.

Cost-of-Living (Post)
Allowance: Clerks

Section 3 of the Act of February 23, 1931* authorized the Secretary of State, "at posts where in his judgment it is required for the public interest for the purpose of meeting unusual and excessive costs of living ascertained by him to exist, to grant compensation to clerks assigned there in addition to the basic rates herein specified, with such appropriations as Congress may make for such purpose..."

Appropriations were made in the years following; but by administrative ruling not all American clerks received this allowance from the beginning. Those paid from what was then called "Clerk Hire" were eligible; those paid from "Miscellaneous Salaries and Expenses" were excluded. In 1939 the allowance was extended to all Americans on the clerical staff.

Representation Allowance:
Chiefs of Mission

The "Rogers Act" of May 24, 1924* was the first major legislation for the reorganization and improvement of the Foreign Service. The intent was to attract to the career service qualified men who did not have the benefit of private incomes. Section 12 of the Act authorized the granting of allowances for representation purposes to diplomatic missions, or to consular offices at capitals where no missions existed. This allowance was designed to lighten the burden of personal expense on United States Ambassadors and Ministers in meeting the exigencies of official entertainment and courtesies extended abroad on behalf of the United States

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Government. Until 1931, however, no funds were appropriated to implement this provision of the Act.

Representation Allowance: In Section 7 of the Act of February 23, 1931*, Congress amended the Rogers Act of 1924 ("Section 19" of the amended text) so as to provide representation allowances for officer personnel as well as for chiefs of mission; and funds were made available.

Representation Allowance: Executive Order 7779 of December 28, 1937 authorized representation allowances for Foreign Service

Inspectors.

Quarters Allowance The "Foreign Service Buildings Act" of May 7, 1926* authorized the acquisition of buildings and grounds for the use of the United States Government and provided (Section 3) that such buildings might be used as offices, or as residences, or as offices and residences. The use of these properties by Government agencies in addition to the Department of State was contemplated.

Prior to the passage of this Act, the purchase of sites and construction of buildings had been authorized by Congress for specific posts: for example, the Act of February 21, 1925,* providing for a Government-owned establishment in Tokyo, "to include residences for the diplomatic and consular representatives and the furnishing of the same."

The "Foreign Service Buildings Act" was followed by a Comptroller General's decision requiring Foreign Service personnel living in such buildings to pay rent. But the State Department Appropriation Acts for 1927 and 1928, in addition to authorizing the Secretary of State "in accordance with existing practice" to continue to furnish quarters "without cost" to chief diplomatic representatives and their minor employees in foreign countries, - also authorized the Secretary of State to provide officers and employees in the Foreign Service in China, Japan and Turkey with living quarters, light, heat and household equipment, either in Government-owned or -leased buildings. Other authorizations tantamount to a quarters allowance appeared in the Appropriation Acts: Foreign Service officers assigned for language study in Japan and Turkey had their rent paid by the Government; and the Appropriation Act for 1928 provided for the reimbursement of one Lao Lang Hui, interpreter at the American Legation, Bangkok,

* For title and references. see Appendix 3

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for rent of living quarters during the fiscal year 1927.

The situation vis-a-vis the Comptroller General's ruling was clarified and such anomalies as those mentioned above disappeared with the passage of the Act of June 26, 1930*. The Act provided Government-owned or-leased quarters - including heat, fuel and light - free of charge, or a quarters allowance in lieu thereof, for civilian officers and employees of the Government (United States citizens) stationed in foreign countries. Quarters allowances therefore were authorized on a Government-wide basis and the regulations were prescribed by the Bureau of the Budget.

The Act of May 3, 1945* extended the scope of the allowance to cover gas and electricity as well as rent, heat, fuel and light (Section 3, clerks; Section 8, officers).

Separation Allowance During the war years 1941-1945 the post allowance was expanded by interpretation, in agreement with Congressional representatives, to permit supplemental cost-of-living (separation) allowances to assist officers and employees stationed in dangerous areas in maintaining their families in the United States. This allowance was established by Departmental Order 967 of September 12, 1941 (retroactive to July 1, 1940); and was supplemented by Diplomatic Serial No. 3392 of September 12, 1941, listing the posts considered to be in dangerous areas. Certain of these posts were removed from the list as of November 1, 1945, but for those not removed the regulations remained in full force and effect through the fiscal year 1947.

2. Allowances and Differential Added under the Foreign Service Act of 1946

The "Foreign Service Act of 1946" (August 13, 1946) had as one of its objectives the provision of salaries, allowances and benefits adequate to permit the Foreign Service to draw its personnel from all walks of American life and to appoint persons to the highest positions in the Service solely on the basis of their demonstrated ability. The allowance structure was expanded as follows:

- (a) the temporary lodging allowance was added;
- (b) the transfer allowance was added;
- (c) the separation allowance was made a permanent feature;

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- (d) the representation allowance was extended to employees as well as officers.

Three other benefits were provided:

- (e) an official residence allotment, to defray the expenses (above otherwise normal requirements) incident to the operation and maintenance of an official residence suitable for the chief representative of the United States at a foreign post;

- (f) emergency storage payments, to cover the cost of storing the effects of an officer or employee assigned to a post to which because of emergency conditions he cannot take, or at which he is unable to use, his furniture and household and personal effects;

- (g) a salary differential, not to exceed 25%, to be paid Staff officers and employees at posts where extraordinarily difficult living conditions or excessive physical hardships prevail, or at which notably unhealthful conditions exist. Foreign Service officers were excluded from this provision of the Act because of the difference between the Career and the Staff Corps in status, privileges and emoluments; and the retirement benefits derived by officers from service at unhealthful posts. Moreover, the House Committee stated in connection with the Foreign Service Act of 1946 that "Foreign Service officers would not receive this differential since the obligation of service at any post in the world without special inducement or compensation is implicit in their commissions." Foreign Service Reserve officers, who under Sections 523 and 524 of the Act have the same rank as the Career Corps, were also excluded. It was stated that "Foreign Service Reserve Officers will be assimilated to Foreign Service officers as closely as possible."**

C. Other Government Civilian Agencies: Legislative Background

1. Allowances

Quarters Although the Appropriation Act for the Department of Commerce, April 18, 1930, granted funds for rent-heat-and-light allowances to Commerce personnel serving abroad, the first permanent authorization for quarters allowances for all civilian Government employees in foreign countries is found in the Act of June 26, 1930.*** Various subsequent Appropriation Acts provided the funds to specific agencies.

* House Report No. 2508, 79th Congress, 2d Session: Reorganization of the Foreign Service: Report of the Committee on Foreign Affairs, H.R., to accompany H.R. 6967: US Government Printing Office, Washington, 1946: p. 51

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Cost-of-Living Section 304, Title III of the "First Supplemental National Defense Appropriation Act, 1944",* which was approved on December 23, 1943, also extended to civilians of other agencies serving abroad the cost-of-living allowance which had been granted to the Foreign Service by the Act of February 23, 1931. The rapid growth of war-time agencies operating in foreign areas had made such a measure imperative. This Appropriation Act of December 23, 1943 was the first to cover both quarters and cost-of-living allowances for the civilian personnel of Government agencies, other than the Foreign Service, permanently stationed in foreign areas. Prior to 1943, as indicated above in Section IA, other agencies used various devices to achieve comparable benefits.

From this time until 1949 the payment of cost-of-living allowances to personnel other than the Foreign Service followed a disorganized pattern. When authorized or approved by the head of the respective agency, the allowance was payable to American officers and employees who were already receiving quarters allowances and who were stationed at foreign posts already classified for cost-of-living. But, according to the Bureau of the Budget's Circular A-8 (revised) of July 19, 1946, cost-of-living allowances could not be paid to "employees who may be determined by the head of the department concerned to be ineligible.... because no higher costs for subsistence, services, commodities, and other living expenses, except quarters are occasioned by their assignment in a foreign country."

This 1946 ruling is understood to have covered the case of persons already receiving a salary differential (usually 25%) for service abroad, a widespread practice of those years in establishments other than the Department of State. There was no statutory authority for this differential, but various rulings of the Comptroller General in specific cases were taken as precedents. So, while the Act of December 23, 1943 and subsequent appropriation acts made cost-of-living allowances available to all Government agencies, it was left to the discretion of the head of the agency whether to pay this allowance or a salary differential in lieu thereof. The inequities of this system have been mentioned in the introductory remarks.

However, Executive Order 10,000 of September 16, 1946 (see p. 9) definitely established that for all personnel abroad a salary differential could be received at hardship posts only. This brought the differential system into line

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with the provisions made for the Foreign Service (Foreign Service Act of 1946, sec. 443), and removed it from any connection with the allowance structure in other agencies. Accordingly, by 1949, cost-of-living and differential practices had been standardized for civilians of all Government agencies in all foreign areas.

Congress has continued annual appropriations for quarters and cost-of-living; since the end of World War II, in the Independent Offices Appropriation Acts. Section 204, Title II, of the Appropriation Act for 1948 (approved July 30, 1947)* set a standard by providing for all agencies cost-of-living allowances such as those granted under section 901(2) of the Foreign Service Act of 1946. This provision, as interpreted in the Standardized Government Civilian Allowance Regulations, makes all civilians serving abroad eligible not only for post allowance but also, where applicable, for a special post, transfer, and separation allowance.

Up to the end of 1948, the pertinent regulations were drafted by the Bureau of the Budget and approved by the President. But by Executive Order 10,011 of October 22, 1948, as amended (see p.10), the President conferred upon the Secretary of State the authority which had been vested in him to regulate allowances for Government civilian personnel serving in foreign countries.

Accordingly the Department of State began to perform this function on a Government-wide basis and issued the new Standardized Government Civilian Allowance Regulations (Foreign Areas) in December 1948. These Regulations now govern all agencies including the Foreign Service.

Representation Allowance Representation allowances for the personnel of other agencies are contingent upon the provisions of specific Appropriation Acts and are not covered by the Independent Offices Appropriation Acts. (For example, the Appropriation Act for 1949 for the Department of Labor and the Federal Security Agency - P.L. 639, 80th Congress - authorized \$1000 for representation expenses for the Mission to Liberia, Office of International Health, United States Public Health Service). Only one agency (USIE) has basic legislation in this respect: Section 302 of the "United States Information and Educational Exchange Act of 1948"* provides that "... any citizen of the United States, while assigned for service to or in cooperation with another Government under the authority of this Act ... may receive, under

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such regulations as the President may prescribe, representation allowances similar to those allowed in Section 901(3) of the Foreign Service Act of 1946...."

2. Differentials

Section 207, Title II, of the Independent Offices Appropriation Act for 1949* was amended by Section 104 of Public Law 862, 80th Congress,* to provide salary differentials such as those granted Foreign Service Staff personnel for employees of all other Government agencies stationed at certain posts.

Soon after the passage of this law representatives of the departments and agencies employing civilian personnel abroad discussed with the Bureau of the Budget and the Civil Service Commission the means for administering the salary-differential provision. The Bureau of the Budget pointed out that the Department of State would be the logical agency to assume this responsibility on a Government-wide basis, since it had facilities for collecting the information needed, as well as previous experience in this field. All agencies favored a centralized administration of the program and indicated their agreement that the Department of State should not only be charged with determining the degrees of hardship at foreign posts but should also issue the pertinent regulations.

As a result of these conversations, Executive Order 10,000 of September 16, 1948, which included regulations implementing Public Law 862, delegated to the Secretary of State the President's responsibility to establish differentials on a government-wide basis.

A list of the agencies for which this is done by the Department of State is attached to this Handbook as Appendix 2.

NOTE Civilians serving outside the continental United States in the several Territories and Possessions receive a "Territorial cost-of-living allowance" and/or a "Territorial post differential" prescribed and administered by the Civil Service Commission. (Part 350, Code of Federal Regulations).

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II PERTINENT EXECUTIVE ORDERS AND REGULATIONS

A. Differentials

1. Executive Order 10,000 of September 16, 1948, as amended by Executive Order 10,261 of June 27, 1951

This Order, as amended, establishes regulations to implement certain parts of the Independent Offices Appropriation Acts providing benefits for civilian Government personnel serving abroad or in the Territories and Possessions of the United States. It also covers that section of the Foreign Service Act of 1946 relating to differentials for "Foreign Service Staff personnel."

Specifically, Executive Order 10,000 governs

- Payment of "foreign post differentials" to civilian personnel of the Government, other than Foreign Service, at hardship posts in foreign areas (Part I);
- Payment of a "territorial post differential" and/or a "territorial cost-of-living allowance" to Government civilian personnel serving in US Territories and Possessions (Part III);
- Payment of salary differentials to Foreign Service Staff personnel serving at "Foreign Service differential posts", i.e., hardship posts (Part IV);
- Revises the list of unhealthful posts established pursuant to Section 853 of the Foreign Service Act of 1946. (Part V)

2. Government-wide and Foreign Service Differential Regulations

To carry out the Secretary of State's responsibility under Parts I and IV of Executive Order 10,000, the following regulations were issued:

- Standardized Government-Post Differential Regulations (Foreign Areas) July 1, 1950; published also as Part 325, sub-chapter B, Chapter III, Title 5, Code of Federal Regulations.
- Sections 370-383, Part IV, Volume I, Foreign Service Manual.

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To carry out its responsibilities under Part II of Executive Order 10,000, the Civil Service Commission issued regulations as Part 350, Subchapter C, Chapter III, Title 5, Code of Federal Regulations.

B. Allowances

1. Executive Order 10,011 of October 22, 1948, as amended by Executive Order 10,085 of October 28, 1949, Executive Order 10,187 of December 4, 1950 and Executive Order 10,313 of December 14, 1951

These Orders grant authority to the Secretary of State to exercise certain statutory powers of the President, under Section 901 of the Foreign Service Act of 1946 and the allowance provisions of the Independent Offices Appropriation Acts, in prescribing regulations governing allowances to Government civilian personnel stationed in foreign areas.

2. Standardized Government Civilian Allowance Regulations (Foreign Areas)

To implement Executive Order 10,011, the Standardized Government Civilian Allowance Regulations (Foreign Areas) were issued by the Secretary of State in December 1948, effective the pay-period including January 2, 1949. The regulations also (a) determined allowance rates and (b) delegated authority to heads of agencies to issue further implementing regulations.

III ANALYSIS OF GOVERNING LEGISLATION

Quarters

The Act of June 26, 1930 (PL 445, 71st Congress) stated that within the limits of such appropriations as "may be" made, quarters "may be" furnished to civilian Government employees in foreign areas or that these employees "may be" granted an allowance in lieu thereof. This Act, while superseded for the Foreign Service by the Act of 1946, is still cited as authority for appropriations for quarters allowances for personnel of other agencies (Independent Offices Appropriation Acts).

The Foreign Service Act of 1946 (PL 724, 79th Congress) states in Section 901(1) that the Secretary of State "is authorized" to grant this allowance to Foreign Service personnel.

The language in both instances is permissive.

Cost-of-Living

The Act of February 23, 1931 (PL 715, 71st Congress) authorized the Secretary of State to grant cost-of-living allowances to clerks in the Foreign Service "at posts where in his judgment it is required for the public interest" (Sec.3), and to Foreign Service officers at posts where "in the opinion of the Secretary" this would enable them to carry on their work more efficiently (Sec. 19).

The Foreign Service Act of 1946, which superseded the above and widened its scope, repeats the wording "is authorized to grant"...

The language in both instances is permissive.

The Act of February 23, 1931, though applying only to the Foreign Service, was extended -- so far as cost-of-living allowances were concerned -- to personnel of other agencies by the First Supplemental National Defense Appropriation Act, 1944 (PL 216, 78th Congress) and the Independent Offices Appropriation Acts, 1945, 1946, 1947, in all of which appropriations were "made available" for this allowance" in accordance with the Act of February 23, 1931. The Independent Office Appropriation Act for 1948 (PL 269, 80th Congress) and subsequent Appropriation Acts have "made available" appropriations for cost-of-living allowances "similar to" those of Section 901(2) of the Foreign Service Act of 1946.

Representation

Only the Foreign Service and certain personnel serving under the United States Information and Educational Exchange Act have legislation covering representation allowances: in the case of the former, Section 901(3) of the Foreign Service Act of 1946, the language of which is permissive; in the case of the latter, Section 302 of the United States Information and Educational Exchange Act of 1948 (PL 402, 80th Congress), which states that this personnel "... may receive ..." such allowances. For other employees of the Government in foreign areas, the allowance is contingent upon appropriations granted the respective agency.

Differentials

Up to 1949 differentials were paid to personnel of agencies other than the Foreign Service at the discretion of the heads of those agencies and on the basis of precedent, not statutory authority. No provision for a differential for the Foreign

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Service appears prior to the Foreign Service Act of 1946. Section 443 of that Act states that "... the President ... may ... establish necessary schedules of differentials ..." for the Foreign Service Staff Corps (a function transferred by Executive Order to the Secretary of State). The language of that Act is permissive; but, as will be shown below, the payment of differentials at hardship posts has become mandatory both for Foreign Service Staff and the personnel of other agencies.

A study by the Allowance Branch of the stages by which permissive legislation became mandatory indicates that Government employees in the territories and possessions of the United States were first granted differentials on a mandatory basis; that employees in foreign areas were then included, somewhat by indirection; and that finally an Executive Order separated the categories of personnel serving overseas and stipulated that differentials, where justified, must be paid.

(1) The first significant step in changing the nature of legislation on differentials was taken in the Independent Offices Appropriation Act for 1949 (PL 491, 80th Congress, approved April 20, 1948). Section 207 of this Act stated that "appropriations shall be available" (italics provided) for the payment of salaries and compensation to persons outside the continental United States or in Alaska at rates of pay equal to those paid persons employed by the Government in the continental United States, plus not to exceed 25%.

This section 207 of the 1949 Appropriation Act is set apart by the fact that (a) the verb "shall" is employed and (b) there is no time limitation, - a circumstance not usual in an Appropriation Act. (With respect to allowances, every pertinent section of every Appropriation Act since 1943 has specified that the funds are available for the fiscal year; including Section 204 of the Appropriation Act in question.)

(2) The second step was taken in the "Supplemental Independent Offices Appropriation Act, 1949" (PL 862, 80th Congress approved June 30, 1948), Section 104 of which amended Section 207 of the Independent Offices Appropriation Act, 1949, inter alia, as follows:

(a) Definition of benefits for persons stationed "outside the continental United States or in Alaska" was extended beyond the general 25% mentioned in the original Section 207 to include "living costs substantially higher than in the District of Columbia, or conditions of environment which differ substantially

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From conditions of environment in the States and warrant additional compensation as a recruitment incentive, or both such factors" (italics provided). It is stated that appropriations shall be available for additional compensation, which shall not exceed 25% of the rate of basic compensation: i.e., whether paid on the basis of higher living costs or of environmental conditions, or on the basis of both these factors, it is limited to 25%.

The above is applicable only to persons serving in the territories or possessions of the United States; since for foreign areas the cost of living does not enter into considerations governing the differential and the latter can be as much as 25% of basic salary regardless of how much cost-of-living allowance the person may also receive.

(b) Inclusion of a reference to personnel serving in foreign countries, in a proviso which reads: "That no additional compensation based on living costs substantially higher than in the District of Columbia shall be paid under this section to any person who is entitled to receive a cost-of-living allowance under section 901(2) of the Foreign Service Act of 1946 or section 204 of this Act." (Section 204 contains the usual appropriation language for quarters and cost-of-living allowances for civilians of other agencies stationed in foreign countries).

In other words, the Foreign Service and personnel of other agencies abroad, whose cost-of-living allowances are covered by other legislation, are not affected by the stipulation that the combined cost-of-living and differential may not exceed 25% of base salary.

Amended Section 207 indicates that the original Section 207 may, despite its language, have been intended to include personnel in foreign areas. It employs "shall" throughout and is not limited by reference to a fiscal year.

(3) The third step making it possible to interpret the differential as mandatory was reached in Executive Order 10,000 of September 16, 1948, which organized the several provisions of amended Section 207 of the Independent Offices Appropriations Act for 1949; brought Section 443 of the Foreign Service Act of 1946 into the framework; and applied to the whole structure the Foreign Service standard for a differential post: that is, it must be a "hardship" post.

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Specifically, Part I of the Executive Order, under the authority of amended Section 207, provides that a "foreign post differential" shall be paid, at posts designated as hardship posts by the Secretary of State, to eligible personnel of Government agencies other than the Foreign Service stationed in foreign countries. Part II, under the authority of amended Section 207, provides that a "territorial post differential" be fixed by the Civil Service Commission when, and only when, the post meets hardship standards; and a "territorial cost-of-living allowance" where costs are substantially higher than in the District of Columbia; and that the Commission shall coordinate the two by defining the extent to and conditions under which eligible persons in the Territories may receive both the post differential and the cost-of-living allowance. Part IV, under the authority of Section 443 of the Foreign Service Act of 1946, provides for "Foreign Service differential posts" and states that the "rates of salary ... are hereby found and declared to be inadequate" at posts which meet or may in the future meet the hardship standards and be so designated by the Secretary of State; and that Staff personnel shall, while such posts remain on the differential list, be paid additional compensation.

The language throughout the Executive Order is mandatory. It will be noted that in the Order amended Section 207 is applied only to persons stationed in the Territories and to employees of other agencies stationed in foreign areas; while for the Foreign Service the only authority cited is the pertinent section of the Foreign Service Act of 1946.

The pattern of enabling legislation on allowances and differentials for overseas personnel is therefore:

- In the Territories and Possessions, cost-of-living allowances and differentials, where justified, are both mandatory;
- In foreign areas, allowances are permissive for all the Foreign Service and differentials, where justified, are mandatory for Foreign Service Staff; for other Government agencies, differentials, where justified, are mandatory, while quarters allowances are permissive under the Act of June 26, 1930, and cost-of-living allowances are contingent upon Appropriation Acts which cite as precedents Acts originally limited to the Foreign Service.

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IV ORGANIZATION AND FUNCTIONS OF THE ALLOWANCE BRANCH, DIVISION OF FOREIGN SERVICE PERSONNEL

A. Establishment of Branch

Departmental Announcement No. 60 of May 13, 1949 abolished the Division of Foreign Service Administration and transferred responsibility for allowances, together with the necessary staff and records, to the Division of Foreign Service Personnel. Effective May 16, 1949, there was established the Allowances and Differential Branch, combining the responsibilities previously assigned the Allowance Branch of the Division of Foreign Service Administration and the Post Differential Branch of the Division of Foreign Service Personnel.

On March 16, 1951, the name was simplified to "Allowance Branch"; but work on differentials continues to be handled by the Branch.

B. General Responsibilities of the Branch

1. Develop policy for

- a. allowances and differentials, all Government civilians in foreign areas (E.O. 10,000, 10,011).
- b. other related provisions of the Foreign Service Act of 1946, such as
 - official residence allotments and
 - emergency storage payments.
- c. (education allowances for minor children of civilian and military personnel in foreign areas, should S. 1985 become law.)

2. Draft regulations

- a. Standardized Government Civilian Allowance Regulations (Foreign Areas).
- b. Administrative Regulations, based on above, for the Foreign Service.
- c. Standardized Government Post Differential Regulations, (Foreign Areas).
- d. Administrative regulations, based on above, for the Foreign Service.

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- e. Administrative Regulations for official residence allotments and emergency storage payments (Foreign Service).
- f. (Regulations for the education allowances for minor children of civilian and military personnel in foreign areas, should S. 1985 become law.)

3. Administer

- a. Special Allowances (Government-wide) (Standardized Regulations 1.6).
- b. Post Reports, Foreign Service (Personnel Circular 43, 6/7/50.)
- c. Unhealthful Post List (Foreign Service).
- d. (Education allowances, should S. 1985 become law).

4. Develop and apply appropriate measurement systems

- a. For allowances:
 - price reporting
 - statistical measurement of costs
 - analysis of costs and conditions.
- b. For differentials:
 - collection and evaluation of data on environmental conditions on a technical point score system.
- c. For unhealthful posts:
 - collection and evaluation of data on unhealthful conditions; consultation with U. S. Public Health Service; Medical Branch, State Department, and area desk officers.

5. Recommend

Appropriate world-wide travel per diem rates to the Bureau of the Budget.

6. Advise

Other agencies, other governments, and private industry

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regarding allowance and post differential determinations and administration, as well as relative costs of living and environmental conditions at over 700 locations abroad.

C. Functions of the Branch

1. Measurement and Development Section

Responsible for:

- a. Collection, organization, analysis, interpretation, and evaluation of data from all areas of the world pertaining to living costs, customs and cultural patterns, climates, population distributions, general economic conditions, emergency situations, foreign exchange, living standards, etc. in order to determine the relative cost of living and quarters costs for all American civilian employees of the United States Government residing in foreign areas;
- b. Establishment, by use of appropriate statistical formulae, of indices providing scientific bases for classifying posts and prescribing rates of various allowances;
- c. Conduct of development studies concerning (1) economic and political conditions in various foreign areas and the effect of proposed or probable actions, developments and programs, such as stabilization agreements, currency devaluations, civil strife, political or economic realignments, war, etc. upon all allowance requirements; (2) statistical formulae, methods and procedures for application to specific work in progress or under consideration with the object of improving systems of price collection and cost reporting, as well as techniques of statistical measurement and cost analysis;
- d. Development of appropriate forms and schedules for Government-wide use in connection with cost measurement in foreign areas;
- e. Determination of the need for establishment, elimination, or consolidation of allowances;

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- f. Recommendation of appropriate rates and schedules for each type of allowance.

NOTE: This Section has what is considered to be the best collection of data of its kind in the world today. It utilizes many sources of information in addition to the usual schedules of price data; e.g., post reports; Bureau of Labor Statistics data; commissary lists; budget estimates; personal expense records; publications of other agencies such as Commerce, Agriculture, Treasury, United Nations, International Monetary Fund, Tariff Commission, Federal Reserve, Army and Navy, etc.; personal interviews with travelers; publications of the National Geographic Society; miscellaneous trade and travel publications, atlases, weather records, climatic reports, reference manuals concerning qualities, weights, measures, shipping costs, etc.; miscellaneous Foreign Service economic reports, correspondence; and official statistical and economic publications of foreign countries.

2. Administrative Section.

Responsible for:

- a. Developing standardized regulations applicable to all Federal agencies for the administration of allowances and post differentials;
- b. Developing Foreign Service regulations governing the administration of allowances and post differentials, as well as regulations governing official residence allotments and the payment of emergency storage charges;
- c. Developing regulations applicable to all Federal agencies for the administration of a bill to provide for the education of minor children of civilian and military personnel overseas, in the event S. 1985 becomes law;
- d. Advising on specific cases which require interpretation of regulations issued;
- e. The technical aspects of the Government-wide and Foreign Service differential programs, viz: development of fact-finding techniques, evaluation

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of techniques, definition of criteria and standards for determining which posts have environmental conditions warranting differential payments, as well as the rate applicable to each;

- f. Determining the effectiveness of the allowance programs; adequacy of allowance legislation; advisability of further decentralization or centralization of administration; discharge of responsibility by the respective officers.
- g. Administering post reports;
- h. Recommending additions to and deletions from the unhealthy post list.

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V. ALLOWANCE AND DIFFERENTIAL STRUCTURE

A. General

1. Foreign Service

The Foreign Service pay and allowance structure for American employees stationed in foreign areas comprises, in broad outline: base pay, two recruitment-incentive allowances (temporary lodging and quarters), three pay-related allowances (post, transfer, and separation), a job-related allowance (representation), and a special allotment (official residence). Two reflect the public relations aspect of the Service (representation allowance and official residence allotment) and two its migratory character (transfer allowance and separation allowance). Temporary lodging, quarters, and post allowances are generally applicable to all Foreign Service personnel. The other allowances are applicable only under specified conditions. The official residence allotment is available only to the principal or acting principal officer.

In addition, differential payments of up to 25 per cent of base salary are paid to Foreign Service Staff Personnel (not, at present, Foreign Service officers nor Foreign Service Reserve Officers) serving at designated hardship posts. This differential pay is subject to income tax, whereas allowance payments are not.

While each agency of the Government makes its own internal administrative regulations on allowances, the Department of State has ruled, with respect to the Foreign Service Staff Corps, that Regular Staff personnel may be eligible for all allowances and the differential where applicable, but that Resident Staff personnel may receive the post allowance only. In general, Regular Staff employees are recruited from the United States (though occasionally at the post) and must at all events be available for world-wide service; Resident Staff are Americans recruited locally who do not meet the required qualifications. For a full explanation, see Foreign Service Manual, Vol. I, Part IV, Section 114.

Within the limits prescribed by regulations, the cost of transportation of Foreign Service officers and employees and their families, as well as the transportation of their household and personal effects, is paid at Government expense

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to, from, and between posts of assignment. Foreign Service personnel are authorized travel per diem for themselves and their families while in travel status.

2. Other Agencies

In addition to base pay, other agencies as a rule grant quarters and post allowances where applicable in accordance with the Standardized Government Civilian Allowance Regulations (Foreign Areas). A Comptroller General's decision (B-84520, June 6, 1949) precludes the payment of the temporary lodging allowance under the Act of June 26, 1930, which no longer applies to the Foreign Service. Consequently that allowance is not paid by agencies deriving their allowance privileges from the Independent Offices Appropriation Acts. Because of the permissive wording of those Acts, other allowances, viz., transfer and separation, are paid by some agencies but not by others. Special allowances for personnel of other agencies must be authorized by the Department of State. Differentials, being mandatory, are paid at differential posts in accordance with the Standardized Government Post Differential Regulations (Foreign Areas), by all agencies.

B. Living Quarters Allowances (Temporary Lodging and Quarters)

1. Authority

For Foreign Service

- Foreign Service Act of 1946, Sec. 901 (1) and E.O. 10,011 as amended
- Standardized Government Civilian Allowance Regulations (Foreign Areas): Sec. 2, 3
- Foreign Service Manual, Volume 1, Part IV, Personnel, Sec. 310-317, 321.

For other agencies

- Act of June 26, 1930 and E.O. 10,011 as amended
- Standardized Government Civilian Allowance Regulations (Foreign Areas): Sec. 2, 3
- Any implementing administrative regulations of respective agencies

2. Temporary Lodging Allowance

a. Definition

"Temporary lodging allowance" means a living-quarters

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allowance granted to an officer or employee for the cost of lodging, heat, light and fuel including gas and electricity, for temporary quarters for himself and his family upon first arrival at a new post. It expires at the end of three months or upon the occupancy of permanent residence quarters, whichever is earlier.

b. Calculation of Post Classification and Rates

Temporary lodging allowance rates include only room costs plus taxes required by local law or custom to be paid by the tenant, plus heat, light, fuel and service charges. The room rates of best and average-priced hotels form the basis for semi-annual or annual calculation, except in a few high-culture areas where the rates of inexpensive hotels are also considered. The rates used are those shown in Form DSP-23, "Retail Price Schedule"; Form FS-335, "Application for Allowances and Report of Quarters Costs"; and Form DSP-29, "Quarters Costs Summary Sheet". Post classifications and tables of rates appear in Sections 9.1 and 9.2, respectively, of the Standardized Allowance Regulations.

c. Administration (Foreign Service)

The temporary lodging allowance is a flat rate authorized, upon receipt of the officer's or employee's Form FS-335, by the principal or administrative officer at the post (Central Fiscal Office in centralized areas). The authorization is made on Form FS-354, "Report on Allowances". It is not authorized if free Government quarters are made available, nor paid concurrently with quarters allowance or travel per diem; nor may it exceed the aggregate amount of travel per diem an officer or employee and his family would receive were they in travel status. The period involved cannot exceed three months from the date of the officer's or employee's arrival, or the arrival of his family if he were detailed en route and the family preceded him to the post.

3. Quarters Allowance

a. Definition

"Quarters allowance" means a living-quarters allowance granted to an officer or employee of the Government for living quarters, heat, light and fuel including gas and electricity, whenever Government-owned or -leased quarters are not made available.

b. Statistical Measurement Employed in the Determination of Post Classification and Maximum Allowance Rates

General rent levels (including allowable utilities and taxes) at all posts in foreign areas are analyzed annually or semi-annually by a scrutiny of the following forms prepared at the post:

Form FS-335: "Application for Allowances and Report of Quarters Cost":

This form contains individual information as to family status, type of quarters, and authorized quarters costs of Foreign Service officers and employees. It is required to be submitted at least semi-annually, July 1 and December 31. Interim submissions are required whenever there is a change in the officer's or employee's family status, address, or quarters costs. (Exhibit 1)

Form FS-354: "Report on Allowances for Temporary Lodging, Quarters, Post, Transfer and Separation":

This form is used by the principal or administrative officer for the purpose of authorizing the payment of temporary lodging, quarters, post, transfer and separation allowances. It is used by the Department as the basis for (1) obligations of world-wide allotments, (2) allotments for allowances to centralized posts, and (3) annual budget estimates. It serves also as a report to the General Accounting Office of the authorization for allowance payments to Foreign Service personnel as required by General Regulations No. 105. (Exhibit 2)

Form DSP-29: "Quarters Cost Summary Sheet":

This form is used for personnel of other Government agencies at the post. It is required to be submitted on specified dates: Appendix A Standardized Allowance Regulations. (Exhibit 3)

On the basis of an analysis of the above forms and other available information, particularly exchange rates, the Allowance Branch determines the classification of the post appropriately to meet quarters expenditures. The maximum rates are designed to cover the expenses of personnel at various grade levels, in adequate but not excessively large or expensive quarters. A higher rate

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is set for those having family at post. Post classifications and the table of rates are shown in Sections 9.1 and 9.3 respectively of the Standardized Allowance Regulations. The table on the adjoining page is illustrative.

c. Administration (Foreign Service)

The quarters allowance is authorized by the principal or administrative officer at the post of assignment (Central Fiscal Office in centralized areas) upon first arrival of the officer or employee or the cessation of the temporary lodging allowance. It is not authorized if free Government quarters are made available. Within the applicable maximum rate, the allowance is computed from the officer's or employee's estimated expenses for the annual cost of rent, heat, light and fuel including gas and electricity. The estimate is made on Form FS-335, to which supporting documents - leases, receipts, or affidavits in lieu thereof - are attached. The authorization is recorded on this form and made on Form FS-354.

C. Cost of Living Allowances (Post, Transfer, and Separation)

1. Authority

For Foreign Service

- Foreign Service Act of 1946, Sec. 901(2) and E.O. 10,011 as amended
- Standardized Government Civilian Allowance Regulations (Foreign Areas), Sec. 4, 5, 6, 7
- Foreign Service Manual, Volume I, Part IV - Personnel, Sec. 310-317, 331, 334

For other agencies

- Independent Offices Appropriation Act of 1948, et seq., and E.O. 10,011 as amended
- Standardized Government Civilian Allowance Regulations (Foreign Areas), Sec. 4, 5, 6, 7
- Any implementing administrative regulations of respective agencies.

2. Post Allowance

a. Definition

"Post allowance" is an allowance granted to civilian officers and employees of the Government who are United States citizens

Quarters Group		Personnel Classification of Officers and Employees				Family	MAXIMUM ANNUAL RATE						
							POST CLASSIFICATION						
1.	Chief of Mission as defined in 22 U.S.C. 802(9)						1	2	3	4	5	6	7
							6000	6000	6000	6000	6000	6000	6000
2.*	FSO FSR Career Min. and 1-3	FSN 1-2	GS 14-18	OPC	Point IV 1-3	with without	1000 800	1500 1200	2000 1600	2500 2000	3000 2400	3500 2800	4000 3200
3.	4-5	3-8	10-13		4-5	with without	800 600	1200 900	1600 1200	2000 1500	2400 1800	2800 2100	3200 2400
4.*	6	9-11	7-9	9-10	6-8	with without	600 400	900 600	1200 800	1500 1000	1800 1300	2100 1400	2400 1600
5.		12-22	1-6	1-8	9-11	with without	400 300	600 450	800 500	1000 750	1200 900	1400 1050	1600 1200

*If an officer of the Foreign Service in Quarters Group 3, 4, or 5 is in charge of a consular post or is one of the two highest ranking diplomatic or consular officers other than the Chief of Mission at a diplomatic post, he shall be classed in Quarters Group 2 regardless of his personnel classification and the Quarters Group in which he would otherwise be classed.

**Includes Primary Inspectors (Immigrant Inspectors) of the Immigration and Naturalization Service.

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MAXIMUM QUARTERS ALLOWANCES

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assigned to foreign posts where the costs of subsistence, services, commodities, and other living expenses (except those for living quarters) are determined to be substantially higher than the current costs in Washington, D. C. It has nothing to do with the degree of hardship at a post. It is based on living costs, not living conditions. Recently higher prices in Washington have tended to reduce the difference in costs between posts and Washington and post allowances have had to be correspondingly reduced.

b. Statistical Measurement Employed in the Determination of Post Classification and Allowance Rates

(1) Effective Index

The basic data used in determining the index of prices at the post compared to Washington are obtained from Form DSP-23, "Retail Price Schedule" (Exhibit 4) furnished by foreign posts and also filled out for Washington by the Bureau of Labor Statistics. These schedules list some 700 prices of items carefully selected as representative of a wide range of goods and services. A comparison of the price of each item on the foreign schedule with the corresponding item on the Washington schedule, together with weighting factors considered in transplanting the American living pattern to the post, when expressed in total percentage, forms the index. The additional weighting factors considered include servants, servant's maintenance required by local custom, spoilage due to humid climate, additional clothing required by extremely cold climate, extra medical expenses, etc.

(2) Post Classification and Allowance Rate

Considering 100 as the Washington index, posts having indices somewhat above 100 are considered as classifiable for post allowances. The percentage of the post's index above 100 determines the classification.

The rate of allowance under the post classification is determined by the estimated "spendable income" of officers and employees at various salary levels. Estimated spendable income of an employee is the base salary less the average amount consumed by income taxes, retirement deductions, and estimated savings including insurance. In computing the rates, personnel in the lower salary brackets are assumed to have a lesser proportion of income consumed

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by taxes, savings, etc., than the higher-bracket people, and therefore, to have a greater proportion of "spendable income". Higher rates are provided for officers and employees with family at the post than for those without family. Also, an additional rate is specified for each minor child at the post up to and including five. The following table indicates the post classification applicable to various indices and the relative percentage of "spendable income" considered in the post allowance rate:

Price Index Range, Costs in Excess of Washington	Class	Percent Applied to Spendable Income to Determining Allowance Payment
102.5 - 107.4	1	5
107.5 - 112.4	2	10
112.5 - 117.4	3	15
117.5 - 122.4	4	20
122.5 - 127.4	5	25
127.5 - 132.4	6	30
132.5 - 137.4	7	35
137.5 - 144.9	8	41.2
145.0 - 154.9	9	50
155.0 - 164.9	10	60
165.0 - 174.9	11	70
175.0 - 184.9	12	80
185.0 - 194.9	13	90
195.0 - 204.9	14	100
205.0 - 214.9	15	110

Classifications are generally reviewed semi-annually, with interim review whenever unusual circumstances, such as a substantial change in exchange rates, makes this advisable. The post allowance classifications and tables of rates are found in Sections 9.1 and 9.4, respectively, of the Standardized Allowance Regulations.

c. Administration (Foreign Service)

The post allowance is a flat rate authorized by the principal or administrative officer at the post (Central Fiscal Office in centralized areas) upon receipt of the officer's or employee's Form FS-335 (Exhibit 1). The authorization is made on Form FS-354 (Exhibit 2). It is payable from the date of arrival at post and continues while the officer or employee remains within the country of assignment. It also continues payable while he is absent under

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official orders (including statutory leave) and his family remains in the country of assignment. In addition, while the officer or employee is absent from the country on simple leave, or during weekends or holidays, it continues payable for not to exceed thirty days at any one time, regardless of the location of his family.

3. Transfer Allowance

a. Definition

"Transfer allowance" means an allowance granted an officer or employee for necessary expenses, not otherwise compensated for, incident to his transfer from one climatic zone to another.

b. Zone Classification and Allowance Rates

Three zones, corresponding to the three major world climates, are used for the purposes of this allowance (Section 9.6 of the Standardized Allowance Regulations). The rates are of a token nature and the amounts specified are not intended fully to cover the cost of inter-zone transfers, but merely to aid in offsetting them. Higher rates are stipulated for transfer between widely differing zones, and officers and employees with family at the post receive a larger allowance than those without family. No allowances are paid for intra-zone transfers, nor for a transfer from any part of the field back to Washington or elsewhere in the United States. However, if an officer or employee is transferred from Washington to another climatic zone, or is assigned to another zone at the time of his initial appointment to the Service a transfer allowance is payable.

c. Administration (Foreign Service)

The transfer allowance is a lump-sum payment authorized by the principal or administrative officer at the new post (Central Fiscal Office in centralized areas) upon receipt of the officer's or employee's Form FS-335 (Exhibit 1). The authorization is made on Form FS-354 (Exhibit 2).

NOTE:

A Special Transfer Allowance is now (January 1952) being considered and will, it is believed, be approved. This special allowance would provide reimbursement for the cost of repairs, alterations and improvements to the first permanent quarters occupied by an officer or employee upon

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arrival at a new post. The repairs, alterations and improvements must be of a nature to bring the quarters up to minimum American standards of safety and health. The maximum amount reimbursable would be the difference between the officer or employee's actual expenditure for rent, heat, light and fuel and the maximum quarters allowance to which he is eligible.

4. Separation Allowance

a. Definition

"Separation allowance" means an allowance granted to assist an officer or employee who is compelled by reason of dangerous, notably unhealthful, or excessively adverse living conditions at his foreign post, or for the convenience of the Government, to meet the additional expense of maintaining his wife and minor children (including adopted and step-children) outside the country of assignment.

b. Allowance rates

Posts are not classified for separation allowances. The rates, based upon rental and subsistence costs in Washington, D. C., are designed to assist in covering the additional cost of rental and subsistence of the family of an officer or employee, with preponderance of weight on the rental factor. Higher rates are provided for those officers or employees above clerical status and the basic rates are increased for each minor child, up to and including five. The table of rates is contained in section 9.7 of the Standardized Allowance Regulation.

c. Administration (Foreign Service)

Separation allowances are granted individually by the appropriate Regional Bureau, Department of State, upon approval of applications on Form FS-333 (Exhibit 1), prepared according to section 315.33 of the Foreign Service Manual, and submitted through and recommended by the principal or administrative officer at the post. Approval is given after an analysis of the individual's situation reveals that dangerous, notably unhealthful or excessively adverse living conditions at the post necessitated the separation, or that the separation is considered to be for the convenience of the Government (for example, no housing yet available at the post). The effect of such conditions on individuals as well as family groups is sympathetically considered,

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but separation caused primarily by personal choice or by necessity for educating children outside the country of assignment does not warrant a separation allowance. These allowances are payrolled, but are not authorized for any period during which travel per diem is payable on behalf of members of the family considered in the allowance.

D. Representation Allowance

1. Authority

For Foreign Service

- Foreign Service Act of 1946, Sec. 901(3) and E.O. 10,011 as amended
- For USIE: United States Information and Educational Exchange Act of 1948, Sec. 302; and E.O. 10,011 as amended
- Standardized Government Civilian Allowance Regulations (Foreign Areas), Sec. 8
- Foreign Service Manual, Volume I, Part V, Personnel, Sec. 340-344, 346-347; Part V, Sec. 432

For Other Agencies

- Contingent upon Appropriation Acts
- Standardized Government Civilian Allowance Regulations (Foreign Areas), Sec. 8
- Any implementing administrative regulations of respective agencies

2. Definition

Representation allowances are designed to reimburse officers and employees for expenses incurred in offering official entertainment or extending special courtesies in accordance with local custom (presentation of wreaths, flowers, or other tokens), for the furtherance of public relations and official and cultural contacts. A list of authorized types of representation will be found in Section 8 of the Standardized Allowance Regulations.

3. Method of Fund Distribution (Foreign Service)

Within appropriated funds, the Regional Bureaus, Department of State, are empowered to grant specific allotments to each post for the fiscal year. Initial allotments and subsequent adjustments are made on Form DS-150, which is sent by the Department

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to the post. Because of the variable factors involved, posts are not classified for representation allowances nor is a table of rates prescribed. Instead, there is an annual review and analysis of each post's requirements, based on (1) total amounts spent for official representation during the previous fiscal year; (2) size of the post and its current politico-economic importance; (3) cost-of-living at the post; (4) and the relative requirements of the several categories of personnel at diplomatic missions, (chiefs of mission, ranking subordinates, other counselors, other officers, career and staff) and at consulates, (consuls general or consuls in charge, other officers, career and staff). The annual amount available for each post having been determined, individual allotments or advisory breakdowns are provided, one allotment for the Chief of Mission, one for the ranking subordinate, one for joint use of the counselors of Embassy, one for "other officers", etc. A reserve fund is maintained in the Department for special grants to posts where unusual, unforeseen exigencies arise; such as naval visits and visits of special commissions; also for allowances to Inspectors (see p. 32).

4. Administration (Foreign Service)

Diplomatic Missions

The mission is informed of the amount of the annual allotment and provided with the class code indicating the sums for the various categories of officers. Foreign Service Regulations require that the principal officer or ranking subordinate apportion the annual amounts under each code at least quarterly to cover as nearly as possible all anticipated needs for official representation; and that he grant specific allowances from the code for "other officers" to those with representational responsibilities.

Consulates General and Consulates

These offices receive a fiscal year lump-allotment, and the principal officer apportions and grants the allowances to himself and other officers with representational responsibilities.

Representation allowances are paid at the post upon presentation of vouchers requesting reimbursement to the officer for expenditures already made, or by direct settlement with the purveyor. Standard Form 1146 "Public Voucher for Purchases and Services Other Than Personal" is used, and must be properly supported, not only by receipts when required, but also by a

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subvoucher, Standard Form 1035, giving identifying information with respect to each item of entertainment or other representation expenditure. An extra copy of this voucher is forwarded to the Department of State, where it is reviewed for administrative purposes and used for statistical data and the determination of annual allotments. In recent years, the sums available for representation have never been sufficient to reimburse officers for all the officially chargeable expenses they incur.

E. Special Allowances

1. Authority

For Foreign Service

- Foreign Service Act of 1948, Sec. 901, and E.O. 10,011 as amended
- Standardized Government Civilian Allowance Regulations (Foreign Areas), Sec. 1.6, 5
- Foreign Service Manual, Volume I, Part IV, Sec. 332, 348.1-348.13; Part V, sec. 432.4

For other agencies

- E.O. 10,011 of October 22, 1948, as amended
- Standardized Government Civilian Allowance Regulations (Foreign Areas), Sec. 1.6, 5

2. Definition

A "special allowance" is a temporary lodging, quarters, post, transfer, separation, or representation allowance granted in addition to, or in lieu of, any such allowance prescribed by the Standardized Allowance Regulations. It may be granted on an individual or group basis. In either case, the Secretary of State must have determined that unusual circumstances exist. An example of the "group" type is the special post allowance prescribed in Section 5 of the Standardized Allowance Regulations in lieu of any other quarters and/or post allowance. The unusual circumstances necessitating the special post allowance are found at certain posts where the cost of quarters, food, clothing, etc., are generally so high (particularly for employees in the lower grades) that the rates established for quarters and post allowances in Sections 9.3 and 9.4 of the Regulations do not provide the relief intended by the allowance program. These posts are classified by the letters A, B, C, etc., in Section 9.1 of the Standardized Allowance Regulations. Such a classification usually reflects a temporary situation.

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3. Administration

a. Individual Special Allowances

The Department of State grants these allowances to the Foreign Service and also authorizes them for personnel of other Government agencies, when applications have been submitted through a Foreign Service post or another agency, or by an eligible individual, and it has been determined that the circumstances described are sufficiently unusual to warrant the allowance. The Secretary of State's authority has been exercised sparingly and very few applications have ever been approved. Payment is made upon presentation of Voucher SF-1146 or by payroll, depending upon the nature of the grant.

b. Special Post Allowances

When the Department has prescribed a special post allowance, payment is authorized by the principal or administrative officer at the post on Form FS-354 (Exhibit 2), upon receipt of each individual's Form FS-335 (Exhibit 1).

The quarters and post portions of the allowance are administered under the regulations governing quarters and post allowances, respectively. The rates are shown in Section 9.5 of the Standardized Regulations.

c. Inspectors' Allowances (Foreign Service)

Allowances for Foreign Service Inspectors and Administrative Inspectors are prescribed in the Foreign Service Manual, Volume I, Part IV, Personnel, Section 348. Since Executive Order 7779 of December 28, 1937 (see p. 3) was rendered inoperative by the Foreign Service Act of 1946, inspector's allowances have been placed in the category of "special" within the meaning of Section 1.6 of the Standardized Government Civilian Allowance Regulations. Granted at a daily rate determined by the Deputy Under Secretary of State, they are paid bi-weekly in addition to travel per diem, for each day that the Inspector is outside the continental United States on an inspection assignment. The allowances are paid from representation funds and vouchered on Form FS-286.

NOTE: Special Transfer Allowance

See note on p. 27 for a description of this proposed addition to special allowances.

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F. Marine Guard Allowances

Under a memorandum agreement between the Department of State and the Department of the Navy, the Department of the Navy furnishes a number of Marine guards for the protection of certain diplomatic and consular establishments. In addition to travel expenses and civilian clothing, where required, the Department of State pays these guards the allowances prescribed by Appendix B, Standardized Travel Regulations for the Uniformed Services. The Allowance Branch is responsible for informing affected posts of the rates and interpreting the regulations, where necessary.

NOTE: Education Allowance

A bill to provide for the education of dependent minor children of the United States military and civilian personnel stationed overseas is awaiting the approval of Congress. The Allowance Branch was delegated primary responsibility for the proposed legislation and, if it is enacted, expects to be given full responsibility for recommending the Government-wide regulations under which it will be administered.

G. Post Differential

1. Authority

For Foreign Service

- Foreign Service Act of 1946, Sec. 443
- Executive Order 10,000 of September 16, 1948, as amended by Executive Order 10,261 of June 27, 1951
- Foreign Service Manual, Volume I, Part IV, Personnel, Sec. 370-383; used in conjunction with Section 7 of the Standardized Government Post Differential Regulations (Foreign Areas)

For Other Agencies

- Sec. 207 Independent Offices Appropriation Act for 1949 (P.L. 491, 80th Congress), as amended by Sec. 104 of the Supplemental Appropriation Act (P.L. 862, 80th Congress).
- Executive Order 10,000 of September 16, 1948
- Standardized Government Post Differential Regulations (Foreign Areas)

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2. Definition

A post differential is a prescribed percentage of base salary payable to civilian officers and employees of the Government - (at the present time excluding Foreign Service Officers, Foreign Service Reserve Officers, Foreign Service Resident Staff, and employees of other agencies described in the excluding provisions of Section 2.3(a), Section 2.3(c) (3), and Section 4 of the Standardized Government Post Differential Regulations)- who are United States citizens stationed at posts where extraordinarily difficult living conditions or excessive physical hardship prevail or at which notably unhealthy conditions exist.

It is based on environmental conditions and not on price comparisons vis-a-vis the United States; and is designed to be a recruitment incentive and an aid in retaining personnel while assigned at the more undesirable posts.

3. Method of Classification

The decision as to whether or not a post merits a differential and, if so, the percentage of base pay to be used as the applicable rate, is made after a thorough review by the Allowance Branch, Division of Foreign Service Personnel, Department of State, of environmental conditions at the post as reported in (1) Form DSP-36, "Foreign Service Differential Questionnaire" (used also by non-Foreign Service Posts abroad); (2) in the Post Reports required of all Foreign Service posts; and (3) all other available material (publications, press, statistics, interviews with travelers, etc.) Each post is rated by means of a carefully developed point score system which considers

- (a) "extraordinarily difficult living conditions" as including inadequate housing accommodations, lack of cultural and recreational facilities, geographic isolation, inadequate transportation facilities, and lack of food and consumer services;
- (b) "excessive physical hardship" as including effects of climate and altitude and the presence of dangerous conditions affecting life, mental health or physical well-being; and
- (c) "notably unhealthy conditions" as including incidence of disease and epidemics, lack of public sanitation and health control measures, and inadequacy of medical and hospital facilities.

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On the basis of this review and analysis, posts qualifying for a differential are assigned rates of 10, 15, 20 or 25%, depending upon the degree of hardship. These percentages are applied to base salary.

Forms DSP-36 (Exhibit 5) are reviewed annually on the basis of supplementary information furnished by the posts, or whenever unusual and unforeseen circumstances arise at a given post.

4. Administration

The list of differential posts and the percentage allotted them will be found in the Standardized Government Post Differential Regulations (Foreign Areas), Section 7.

The amount of base salary to be paid as a post differential is computed at the post and payrolled bi-weekly.

It should be clearly borne in mind that for all agencies the differential

- (a) is disregarded in determining the amount of any temporary lodging, quarters, post, transfer or separation allowance, or overtime, night or holiday pay;
- (b) is not compensation for computing retirement annuities and therefore no retirement deductions are made from it;
- (c) constitutes income for tax purposes and is included in the computation of the withholding tax;
- (d) is not paid to persons serving under contract;

and that under additional regulations for the Foreign Service it

- (e) may not be included in any allotment of pay;
- (f) is not considered in the computation of lump-sum payment on separation;
- (g) is payable to persons "detailed" to a post to perform duties normally carried on at that post, but is not payable for visits of inspection or consultation, or official visits.

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VI OTHER PAYMENTS DETERMINED OR RECOMMENDED BY THE ALLOWANCE BRANCH

A. Official Residence Allotment (Foreign Service)

1. Authority

For Foreign Service only:

- Foreign Service Act of 1946, Sec. 902
- Foreign Service Manual, Volume I, Part IV, Sec. 350-351, 353-355, Part V, Sec. 433

2. Definition

The "official residence allotment" is not an allowance, and is not to be confused with the representation allowance, which is for entertainment and courtesies. The residence allotment is essentially a housekeeping fund designed to reimburse the principal or acting principal officer of a mission or consulate for the unusual housekeeping expenses incurred in maintaining the official residence on a scale commensurate with such status. Reimbursement may be made only for expenses which are in excess of those the officer would incur were he serving at the post in any other capacity.

Unusual housekeeping expenses include wages and subsistence of servants who would not be employed were the officer not occupying the official residence, and household maintenance costs beyond those normal for a smaller or less elaborate establishment.

3. Method of Fund Distribution

Within appropriated funds, individual allotments are made to Foreign Service posts by the Regional Bureaus, Department of State, on Form DS-150. As in representation allowances, because of the many variable and intangible factors involved, the allotment pattern is established on an annual basis. Such factors include the differences between the principal officer's "normal" housekeeping expenses and the expense he is required to bear as chief representative of the United States at the post; between the normal living pattern of successive principal officers at the same post, due to private income or personal preference; between the size and condition of official residences at posts of comparable importance; etc.

The individual allotment is first computed on the total amount spent for "unusual" items during the preceding fiscal year,

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both reimbursed and unreimbursed, as indicated on the screened budget estimate from the post. This total is referred to as the post's "requirement", and within available funds an allotment is made to meet those requirements. An unallotted balance is retained in the Department from which funds can be made available to newly opened posts, and increases granted where warranted.

4. Administration

Within available funds, amounts considered "unusual" as defined above may be reimbursed to the principal officer, or in his absence to the acting principal officer, upon submission of a voucher on SF-1146, supported by a list of items for which reimbursement is claimed prepared on SF-1035 and accompanied where practicable by receipts on SF-1012d. The subvoucher must indicate (1) the total amount spent on wages and maintenance of household servants and on allowable items of household maintenance, and (2) the amount claimed for reimbursement. Each voucher must bear a certification that the amount claimed comprises only expenses reimbursable in accordance with the regulations, and further certification as to whether the quarters are Government-owned or -leased or privately owned or leased. Government-owned or -leased residences have other funds available for their maintenance, such as the foreign buildings expenses allotment, the general operating expenses allotment, and when specifically approved the alien salaries allotment; while privately owned or leased residences may not be maintained therefrom. Consequently, the official residence allotment for the latter is somewhat higher.

B. Emergency Storage Payments (Foreign Service)

1. Authority

- Foreign Service Act of 1946, Sec. 911(4)
- Foreign Service Manual, Volume I, Part III- Administrative and Technical Services, Sec. 165

2. Definition

An "emergency storage payment" is one authorized and paid to an officer or employee for storage costs incurred because of his assignment to a post to which because of emergency conditions he cannot take, or at which he cannot use, his furniture and household and personal effects.

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3. Administration

Posts are not classified nor is a table of rates prescribed for emergency storage. Payments are authorized by the Regional Bureaus of the Department in individual letters of authorization upon approval of requests submitted by officers or employees on Form FS-445, "Application for Authorization for Payment or Reimbursement of Emergency Storage Costs"; and are paid upon proper voucher submission. Approval is given after determination that any, or a combination of any of the following conditions exist:

- a. Non-availability of usual transportation facilities (other than air) at point of origin, destination, or en route;
- b. Housing shortage at the post necessitating the occupancy of furnished quarters at exorbitant rental costs;
- c. General civil disturbance or imminent threat thereof, including but not restricted to war, civil war, uprisings, riots, strikes, blockades, or martial law;
- d. Acts of nature, including but not restricted to earthquakes, tidal waves, flood, fire, storm, or disease or pestilence resulting in quarantine or refusal of transportation or entry or exit of effects;
- e. Unusual import or export restrictions or obstructions;
- f. Other conditions recognized as emergencies and set forth in the document authorizing or approving storage payment.

In making the decision, occupancy of furnished Government-owned, -leased, or -requisitioned quarters at the post is not considered an emergency condition within the intent of the governing law and regulations.

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C. Unhealthful Post Lists (Foreign Service)

1. Authority and Lists Issued

- Foreign Service Act of 1946, Sec. 853 (replaces "Sec. 26(k)" under Sec. 3 of the Act of April 24, 1939, which replaced "Sec. 26(k)" under Sec. 7 of the Act of February 23, 1931, which in turn replaced Section 18(k) of the Act of May 24, 1924)
- Executive Order 10,261 of June 27, 1951, amending Sec. 503 of E.O. 10,000 of September 16, 1948

Lists issued to date:

- a. Executive Orders of April 1, 1925, October 20, 1927, November 28, 1927, and April 10, 1930, were cancelled as of July 1, 1931 by Executive Order 5644 of June 8, 1931, which incorporated former lists with new additions, retroactive to January 1, 1900.
- b. Executive Order 5644 of June 8, 1931, was amended by E.O. 6942 of January 8, 1935 and E.O. 7062 of June 5, 1935.
- c. Revisions retroactive to January 1, 1942 appear in Executive Order 10,000 of September 16, 1948. A new comprehensive list was issued in Foreign Service Personnel Circular 27, November 15, 1949.

2. Definition of Unhealthful Post: Nature of Benefit

An unhealthful post is one which, by reason of climatic or other extreme conditions, is so classified for the purpose of computing the length of service of Foreign Service Officers eligible for retirement, time-and-a-half being allowed for service at such posts.

This may be described as a compensation, not in money but in computed time, for service at unhealthful posts; one which will make possible a more normal annuity for those officers who must retire early because of the results of such service. Full annuity is payable on the basis of thirty years' service; but any Foreign Service officer who has rendered twenty years of service may, at age fifty, apply for voluntary retirement at a lower annuity rate. The computation of these twenty years may include the time-and-a-half credit for service at unhealthful

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posts (Sec. 636, Foreign Service Act of 1946). However, this benefit in time does not apply solely to officers who retire early because of impaired health. While there have not been many instances of this, it is possible for an officer of fifty or more, in good health, to take advantage of this credit for unhealthful post service and retire at maximum annuity within less than the required thirty years in actual time. That is, he might have served ten years in unhealthful posts, gaining credit for fifteen; this, added to fifteen years of service elsewhere, would total thirty years of computed service, though only twenty-five years were actually served. He thereby gains, from his years of risk at unhealthful posts, the advantage of retiring earlier at no financial loss.

The system can therefore, in varying degrees, benefit Foreign Service officers assigned to unhealthful posts, regardless of the physical effects of such service. It does not benefit them, however, if they complete a full career of thirty working years, since thirty years is the maximum service allowed in computing retirement annuities.

This time credit does not apply to Foreign Service Reserve Officers. Nor does it apply to the Foreign Service Staff, which comes under the Civil Service retirement system.

A post on the unhealthful list may at the same time be classified as a differential post and may be one at which separation allowances are paid.

Lest there be some confusion regarding unhealthful posts and the "notably unhealthful" conditions mentioned in connection with post differentials and separation allowances, it should be made clear that health factors at the post are only one of the possible criteria warranting the granting of these benefits. In the case of separation allowances, a positive showing of dangerous or excessively adverse living conditions may have been made, instead. In the case of differential posts, the governing factors may have been excessive physical hardships or extraordinarily difficult living conditions. In neither separation allowances nor differentials must health be a controlling factor. Therefore a separation allowance is not per se on the basis of unhealthful conditions, nor is a post placed on the differential list by reason of health conditions alone.

3. Method Employed in Determining Unhealthful Posts

Recommendations as to posts to be included in or deleted from the unhealthful list are made after analysis of all available

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data and with the advice and collaboration of the United States Public Health Service, the Medical Branch of the Office of Personnel and the area desk officers of the Division of Foreign Service Personnel. The data examined includes post reports and the differential questionnaire (Form DSP-36, Exhibit 5), dispatches from the field, statistics and published material, and interviews with travelers.

4. Administration

On November 17, 1949 the responsibility for maintaining the unhealthful post list was transferred from the Medical Branch to the Allowance Branch, which is now responsible for analyzing and revising the list as described in the foregoing section. Any revisions of the list will be incorporated in Personnel Circulars and published in the FEDERAL REGISTER. At that point the administrative duties of the Branch end. The computation of time earned and application of the benefits are the responsibility of the Leave and Retirement Section, Division of Foreign Service Personnel.

D. Travel Per Diem Rates (World Wide)

1. Definition

A travel per diem is a payment in lieu of subsistence made to persons on official travel status, and is designed to cover room rent, meals, tips, laundry, and various incidental expenses.

2. Function of the Allowance Branch

The Department of State has an informal agreement with the Bureau of Budget to collect and analyze the necessary data and to recommend the rates warranted in a given area.

The rates and amendments thereto are published from time to time by the Bureau of the Budget in its Circulars A-7. As soon as the Branch's recommendations have been approved by the Bureau, however, advance notice of changes is circulated to all offices in foreign areas, so that they may be prepared to begin using the new figures on the effective date.

3. Methods Used in the Calculation of Maximum Rates

The Bureau of the Budget has required that per diem rates, at the best rate of exchange available, provide travelers in foreign countries with the same standard of accommodations and

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services as they obtain at the average domestic level. The established rates are adequate but do not provide for elaborate accommodations, such as a hotel suite, or for representation expenses. The uniform rate for an area is applicable to all persons in travel status, regardless of rank or official responsibilities.

The method of determining the per diem rates for travel abroad consists of:

- a. Deriving from data reported by the posts (Form DSP-23, "Retail Price Schedule", Exhibit 4), the average prices of a room and three meals at the best, average and inexpensive hotels and restaurants in each country.
- b. Dividing all countries into three groups as follows:
 - (1) Where there are three levels of hotels and restaurants acceptable to traveling government personnel (example - Canada);
 - (2) Where only two levels are acceptable (example - Egypt); and
 - (3) Where only one level is acceptable (example - Gold Coast).
- c. Computing area averages by weighting country-average in groups listed above, as follows:

	(1)	(2)	(3)
"Best percent"	25	50	100
"Average percent"	50	50	-
"Inexpensive percent"	25	-	-
Average Rate	100	100	100
- d. Adding a 25 percent differential to those final room and meal prices to cover authorized incidental traveling expenses.
- e. Computing an alternate total rate by adding to the final room and meal prices the average costs of laundry, cleaning, and pressing, average reported percentage of tips and other costs incidental to travel.
- f. Taking an average of the rates computed in "d" and "e" as the final rates that are recommended to the Bureau of the Budget for approval.

The rates so obtained are then rounded for consistency within geographic areas as well as to reduce the number of individual rates.

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If it appears that three levels are available but not all reported, the policy is to accept the reported prices for the best hotels and restaurants and estimate the lower levels based on average ratios for cities falling in the same cultural area.

4. Administration

Per diem is payable to an officer or employee of the Foreign Service on behalf of himself and his family at rates prescribed in the Standardized Government Travel Regulations (par. 45 and Appendix 1). It is not generally payable on behalf of families of officers or employees of other Government agencies.

Payment is made at the post or in Washington upon submission and approval of a travel voucher, filed when the travel has been completed. Per diem cannot be claimed for any date subsequent to arrival at post; nor, in the case of statutory leave, between the dates of arrival at one's home in the United States and departure therefrom on the return journey to post.

VII ASSISTANCE TO PRIVATE INDUSTRY AND ORGANIZATIONS ON COSTS AND ALLOWANCE DATA

Most of the larger private corporations maintaining branches abroad, and other organizations (for example, the Baptist Board of Missions) have found the Allowance Branch's data and methods useful in establishing allowances or differentials for their employees in foreign areas. Representatives of these companies or organizations have visited the Branch to discuss methods used in measuring living costs abroad, and their applicability to their own personnel.

The differences in costs for Government civilians and for other Americans abroad result from greatly varying factors. In some places the Government employees may enjoy commissary, post-exchange, and full free-entry privileges, one or all, in which case they will have greater advantages over privately-employed Americans than at posts where there is no commissary or post-exchange and where free-entry privileges are restricted. In some places, Government employees may get a more favorable rate of exchange; however, in all areas American government employees must use rates approved by the local government, while in some areas employees of private industry have access to rates that are much more favorable.

The Measurement Section of the Allowance Branch, upon request, makes available properly weighted indices which private organizations can use in determining policy for the compensation of their employees abroad. Approximately two hundred such organizations are being supplied with this service or with general information. Representatives of a score of other governments have also made a study of the systems used in the Allowance Branch.

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